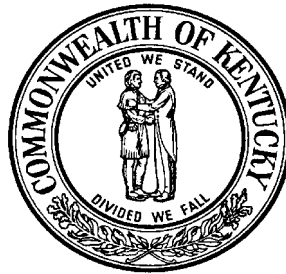


**LETTER FROM THE AUDITOR OF PUBLIC ACCOUNTS  
DEPARTMENT OF EDUCATION**

**In Reference to the Statewide Single Audit  
of the Commonwealth of Kentucky**

**For the Year Ended June 30, 2002**



**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gene Wilhoit, Commissioner  
Department of Education

**MANAGEMENT LETTER**

This letter presents the results of our audit of the Department of Education, performed as part of our annual Statewide Single Audit of the Commonwealth of Kentucky.

In planning and performing our audit of the financial statements of the Commonwealth for the year ended June 30, 2002, we considered the Department of Education's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

As part of our audit of the Commonwealth, we also performed tests of the Department of Education's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. The results of those tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We performed an audit on the Schedule of Expenditures of Federal Awards. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.



To the People of Kentucky  
Honorable Paul E. Patton, Governor  
Gene Wilhoit, Commissioner  
Department of Education

Included with this letter are the following:

- ◆ Acronym List
- ◆ Schedule of Expenditures of Federal Awards
- ◆ Notes to the Schedule of Expenditures of Federal Awards

We have issued our Statewide Single Audit of Kentucky that contains findings of all agencies of the Commonwealth. This report can be viewed on our website at [www.kyauditor.net](http://www.kyauditor.net).

This letter is intended solely for the information and use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

**LIST OF ABBREVIATIONS/ACRONYMS**

Commonwealth	Commonwealth of Kentucky
FY	Fiscal Year
KRS	Kentucky Revised Statutes
OMB	Office of Management and Budget

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

CFDA #	Program Title	Expenditures		Provided to Subrecipient
		Cash	Noncash	
DEPARTMENT OF EDUCATION				
U.S. Department of Agriculture				
Direct Program:				
Child Nutrition Cluster:				
10.553	School Breakfast Program (Note 2)	\$	32,509,054	32,427,626
10.555	National School Lunch Program (Note 2)		100,917,481	100,754,377
10.556	Special Milk Program for Children (Note 2)		105,684	105,684
10.559	Summer Food Service Program for Children (Note 2)		4,113,897	3,987,051
10.558	Child and Adult Care Program (Note 2)		24,738,134	24,449,067
10.560	State Administrative Expenses for Child Nutrition		1,581,664	
Passed Through From the Cabinet for Workforce Development				
17.259	WIA Youth Activities		709,279	671,428
U.S. Department of Education				
Direct Programs:				
84.010	Title I Grants to Local Educational Agencies (Note 2)		130,211,327	128,811,261
84.011	Migrant Education: State Grant Program		9,255,760	8,968,508
84.013	Title I Program for Neglected and Delinquent Children		6,101	
84.023	Special Education - Innovation and Development		44,564	44,579
Special Education Cluster:				
84.027	Special Education - Grants to States (Note 2)		78,960,489	74,900,677
84.173	Special Education - Preschool Grants (Note 2)		10,392,278	9,947,090
84.162	Immigrant Education		481,078	474,981
84.185	Byrd Honors Scholarships		512,770	516,543
84.186	Safe and Drug-Free Schools and Communities - State Grants		5,930,810	5,243,136
84.194	Bilingual Education Support Services		50,170	
84.196	Education for Homeless Children and Youth		553,966	538,096
84.213	Even Start: State Educational Agencies		2,695,073	2,665,954
84.215	Fund for the Improvement of Education		423,531	416,847
84.216	Capital Expenses		77,608	80,984
84.276	Goals 2000 - State and Local Education Systemic Grant		5,893,336	5,580,532
84.281	Eisenhower Professional Development State Grants		4,396,680	3,864,762
84.293	Foreign Language Assistance		53,801	11,951
84.298	Innovative Education Program Strategies		5,064,744	4,372,260
84.314	Even Start: Statewide Family Literacy Program		266,244	
84.318	Technology Literacy Challenge Fund Grants		6,833,345	6,639,382



**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

CFDA #	Program Title	Expenditures		Provided to Subrecipient
		Cash	Noncash	
84.323	Special Education: State Program Improvement Grants for Children with Disabilities	966,884		920,603
84.326	Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	231,920		231,920
84.327	Special Education - Technology and Media Services for Individual with Disabilities	38,395		38,395
84.330	Advanced Placement Program	330,577		24,905
84.332	Comprehensive School Reform Demonstration	3,139,187		2,954,300
84.338	Reading Excellence	3,287,916		3,208,488
84.340	Class Size Reduction	23,299,389		22,991,762
84.348	Title I Accountability Grants	889,705		889,705
Passed Through From Cabinet for Workforce Development				
84.048	Vocational Education - Basic Grants to States	7,582,899		7,201,846
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States (Note 2)	2,774		(140)
Passed Through From Cabinet for Health Services				
84.181	Special Education - Grant for Infants and Families with Disabilities	60,399		
<b><u>U.S. Department of Health and Human Services</u></b>				
Direct Programs:				
93.576	Refugee and Entrant Assistance - Discretionary Grants	284,321		276,484
93.938	Cooperative Agreement to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems	373,342		106,456
93.945	Assistance Programs for Chronic Disease Prevention and Control	401,695		321,838
Passed Through From Cabinet for Health Services				
93.630	Developmental Disabilities Basic Support and Advocacy Grants	73,000		
<b><u>U.S. Corporation on National and Community Service</u></b>				
Direct Programs:				
94.004	Learn and Serve America - School and Community Based Programs	244,134		213,278
<b>TOTAL DEPARTMENT OF EDUCATION</b>		<b>\$ 467,985,405</b>		<b>\$ 454,852,617</b>

## **NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

### **Note 1 - Purpose of the Schedule and Significant Accounting Policies**

**Basis of Presentation** - OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires a Schedule of Expenditures of Federal Awards showing each federal financial assistance program as identified in the *Catalog of Federal Domestic Assistance*. The accompanying schedule includes all federal grant activity for the Commonwealth, except those programs administered by state universities, and is presented primarily on the basis of cash disbursements as modified by the application of Kentucky Revised Statute (KRS) 45.229. Consequently, certain expenditures are recorded in the accounts only when cash is disbursed. The Commonwealth elected to exclude state universities from the statewide single audit, except as part of the audit of the basic financial statements.

KRS 45.229 provides that the Finance and Administration Cabinet may, “for a period of thirty (30) days after the close of any fiscal year, draw warrants against the available balances of appropriations made for that fiscal year, for the payment of expenditures incurred during that year or in fulfillment of contracts properly made during the year, but for no other purpose.” However, there is an exception to the application of KRS 45.229 in that regular payroll expenses incurred during the last pay period of the fiscal year are charged to the next year.

The basic financial statements of the Commonwealth are presented on the modified accrual basis of accounting for the governmental fund financial statements and the accrual basis of accounting for the government-wide, proprietary fund, and fiduciary fund financial statements. Therefore, the schedule may not be directly traceable to the basic financial statements in all cases.

Clusters of programs are indicated in the schedule by light gray shading.

**Inter-Agency Activity** - Certain transactions relating to federal financial assistance may appear in the records of more than one (1) state agency. To avoid the overstatement of federal expenditures, the following policies were adopted for the presentation of the schedule:

- (a) Federal moneys may be received by a state agency and passed through to another state agency where the moneys are expended. Except for pass-throughs to state universities as discussed below, this inter-agency transfer activity is reported by the agency expending the moneys.

State agencies that pass federal funds to state universities report those amounts as expenditures.

- (b) Federal moneys received by a state agency and used to purchase goods or services from another state agency are reported in the schedule as an expenditure by the purchasing agency only.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Note 2 - Type A Programs**

Type A programs for the Commonwealth mean any program for which total expenditures of federal awards exceeded \$17 million for FY 02. The Commonwealth had the following programs (cash and noncash) that met the Type A program definition for FY 02, some of which were administered by more than one (1) state agency. Certain component units and agencies audited by certified public accounting firms had lower dollar thresholds. The Commonwealth identified clusters among the Type A programs by gray shading. These Type A programs and clusters were:

<b>CFDA #</b>	<b>Program Title</b>	<b>Expenditures</b>
<b>Child Nutrition Cluster:</b>		
<b>10.553</b>	School Breakfast Program	\$ 32,509,054
<b>10.555</b>	National School Lunch Program	100,917,481
<b>10.556</b>	Special Milk Program for Children	105,684
<b>10.559</b>	Summer Food Service Program for Children	4,113,897
<b>10.558</b>	Child and Adult Care Food Program	24,738,134
<b>84.010</b>	Title I Grants to Local Educational Agencies	130,211,327
<b>Special Education Cluster:</b>		
<b>84.027</b>	Special Education - Grants to States	78,960,489
<b>84.173</b>	Special Education – Preschool Grants	10,392,278
<b>84.126</b>	Rehabilitation Services – Vocational Rehabilitation Grants to States	2,774
<b>84.340</b>	Class Size Reduction	23,299,389
<b>Total Type A Programs</b>		<u><u>\$ 405,250,507</u></u>